

GENERAL ASSEMBLY OF NORTH CAROLINA



FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 9, 2011

TO: Senator Hartsell

FROM: Kristopher Nordstrom
Fiscal Research Division

RE: Senate Bill 576 (Second Edition)

| FISCAL IMPACT | | | | | |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2011-12</u> | <u>FY 2012-13</u> | <u>FY 2013-14</u> | <u>FY 2014-15</u> | <u>FY 2015-16</u> |
| Revenues: | \$315,420 | \$630,840 | \$630,840 | \$630,840 | \$630,840 |
| Expenditures: | (\$111,120) | (\$351,968) | (\$360,277) | (\$395,834) | (\$377,650) |
| NET IMPACT: | \$204,300 | \$278,872 | \$270,563 | \$235,006 | \$253,190 |
| POSITIONS (cumulative): | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Public Instruction (DPI) and local education agencies (LEAs) | | | | | |
| EFFECTIVE DATE: | July 1, 2011 | | | | |

BILL SUMMARY:

S576 amends GS 115C-296(a2) to direct the State Board of Education (SBE) to adopt new fees related to teacher certification. The changes in fees are summarized in the table below:

S576 – Summary of Fee Changes

| Type of Licensure Action | Existing Fee | Fee Proposed by S576 |
|---|--------------|----------------------|
| Application for demographic or administrative changes to a certificate | \$30 | up to \$45 |
| Application for a duplicate certificate or for copies of documents in the certification files | \$30 | up to \$45 |
| Application for a renewal, extension, addition, upgrade, and variation to a certificate | \$55 | up to \$80 |
| Initial application for New, In-State Approved Program Graduate | \$55 | up to \$80 |
| Initial application for Out-of-State certificate | \$85 | up to \$125 |
| In-State certificate review | \$55 | up to \$80 |
| Verification of North Carolina certificate for another state | \$0 | up to \$80 |
| All other applications | \$85 | up to \$125 |

The PCS to S576v2 simply amends the fee for “all other applications” from “up to \$85” to “up to \$125.”

S576 further amends GS 115C-296(a2) to note that fees are nonrefundable.

Finally, S576 requires the SBE to implement an online licensure management system to allow electronic submission of teacher certification and administrative change applications. The SBE shall adopt lower fees for online applications if the Department of Public Instruction (DPI) can process those applications at a lower cost.

ASSUMPTIONS AND METHODOLOGY:

S576 will impact the DPI budget in two ways:

1. Increased DPI receipts: the increase in licensure fees is expected to increase the agency’s revenues
2. Increased operational costs: the requirement that SBE implement an online licensure management system will cause the agency to incur certain additional costs.

Increased DPI Receipts

DPI anticipates that the fee-generating licensure actions are expected to remain constant over the next five years. Once fully implemented, the new fee structure is anticipated to generate an additional \$630,840 of receipts to the agency per year.

S576 – Increased DPI Receipts

| Type of License | Estimated Number | Old Rate | New Rate | Revenue Increase |
|---|------------------|----------|----------|------------------|
| Application for demographic or administrative changes to a certificate | 40 | \$30 | \$45 | \$600 |
| Application for a duplicate certificate or for copies of documents in the certification files | 670 | \$30 | \$45 | \$10,050 |
| Application for a renewal, extension, addition, upgrade, and variation to a certificate | 11,144 | \$55 | \$80 | \$278,600 |
| Initial application for New, In-State Approved Program Graduate | 5,020 | \$55 | \$80 | \$125,500 |
| Initial application for Out-of-State certificate | 3,734 | \$85 | \$125 | \$149,360 |
| In-State certificate review | 10 | \$55 | \$80 | \$250 |
| Verification of North Carolina certificate for another state | 15 | \$0 | \$80 | \$1,200 |
| All other applications | 1,632 | \$85 | \$125 | \$65,280 |
| Total | 22,265 | | | \$630,840 |

DPI anticipates implanting the new fee schedule effective January 1, 2012, once the new online licensure management system is operational. As a result, anticipated revenue increase for fiscal year 2011-12 is \$315,420, or half of the anticipated increase of future years.

Increased Operational Costs

DPI will incur additional operational costs related to maintaining the online licensure management system. Increased expenses include:

- Yearly maintenance: payments to either the North Carolina Office of Information Technology Services, or to the vendor of the licensure management system to maintain the system and provide help desk functions.
- Hardware refresh: certain hardware is expected to need replacement in the 2014-15 fiscal year.
- IT support staff: an additional position to provide in-house support for the system and build functionality to respond to any changes in fee structure.
- Hosting costs: the costs associated with hosting the system on a server.

The table below estimates the increase in operational costs over the next five fiscal years. Yearly maintenance, IT support staff, and hosting costs are anticipated to increase 3% per year.

S576 – Increased DPI Operating Costs

| Operating Cost | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Yearly maintenance | - | (\$192,848) | (\$196,383) | (\$200,024) | (\$203,775) |
| Hardware refresh | - | - | - | (\$27,000) | - |
| IT Support Staff | (\$48,000) | (\$96,000) | (\$98,880) | (\$101,846) | (\$104,902) |
| Hosting costs | (\$63,120) | (\$63,120) | (\$65,014) | (\$66,964) | (\$68,973) |
| Total | (\$111,120) | (\$351,968) | (\$360,277) | (\$395,834) | (\$377,650) |

Total Fiscal Impact

The total fiscal impact is found by summing the increased revenues with the operating costs.

S576 – Total Fiscal Impact

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| Increased Revenue | \$315,420 | \$630,840 | \$630,840 | \$630,840 | \$630,840 |
| Operating Costs | (\$111,120) | (\$351,968) | (\$360,277) | (\$395,834) | (\$377,650) |
| Total | \$204,300 | \$278,872 | \$270,563 | \$235,006 | \$253,190 |

LEA Impact

The online licensure management system is expected to reduce time spent on licensure issues at the LEA level. According to information provided by DPI, the new system is likely to reduce an average of 10 hours of work each month for LEA central office staff.

The reduction in work load on LEA central office staff is not included in the fiscal impact as there is no corresponding budget reduction.

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS: None